

TOWNSHIP OF BACKUS
ROSCOMMON COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
MARCH 31, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Backus Township		County Roscommon
Audit Date 3-31-04	Opinion Date 4-22-04	Date Accountant Report Submitted to State: 9-17-04		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

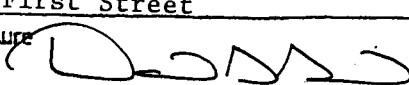
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☐ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Keskine, Cook, Miller, Smith & Alexander, LLP			
Street Address 100 West First Street		City Gaylord	State MI
Accountant Signature 		ZIP 49735	

TOWNSHIP OFFICIALS

SUPERVISOR

MARY RIPKE

CLERK

LOUISE NAGY

TREASURER

DARLENE RASE

TRUSTEES

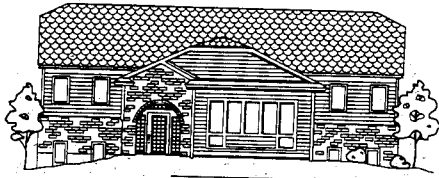
LARRY ENOS

PATRICIA COLE

TOWNSHIP OF BACKUS

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	I - II
Management's Discussion and Analysis	III - VI
FINANCIAL STATEMENTS	
<u>Government-Wide Financial Statements</u>	
Statement of Net Assets	1
Statement of Activities	2
<u>Fund Financial Statements</u>	
<u>Governmental Funds</u>	
Balance Sheet	3
Reconciliation of the Balance Sheet to the Statement of Net Assets	4
Statement of Revenues, Expenditures and Changes in Fund Balance	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	6
<u>Fiduciary Funds</u>	
Statement of Fiduciary Net Assets	7
Statement of Changes in Fiduciary Net Assets	8
NOTES TO FINANCIAL STATEMENTS	9 - 16
REQUIRED SUPPLEMENTAL INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	17 - 19
Fire & Ambulance Fund	20
Trash Fund	21



Keskin, Cook, Miller, Smith & Alexander LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

April 22, 2004

To the Township Board
Township of Backus

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Backus, Roscommon County, Michigan as of and for the year ended March 31, 2004, which collectively comprise the Township's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Backus, Roscommon County, Michigan as of March 31, 2004, and the respective changes in financial position, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note B, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", as of March 31, 2004.

The management's discussion and analysis on pages III - V and budgetary comparison information on pages 17 - 21, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Keskin, Cook, Miller, Smith : Alex, LLP

Keskin, Cook, Miller, Smith & Alexander, LLP

TOWNSHIP OF BACKUS

TOWNSHIP OF BACKUS MANAGEMENT'S DISCUSSION & ANALYSIS YEAR ENDED MARCH 31, 2004

This section of the Township of Backus's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2004. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Township assets at March 31, 2004, as reported in the Statement of Net Assets, totaled approximately \$242,000 for governmental activities. Of the total Township assets, approximately \$56,000 represents capital assets net of depreciation.

Overall revenues were approximately \$101,500 (\$7,500 from program revenues and \$94,000 from general revenues). Overall expenses approximated \$98,700.

The Township did not incur any new debt instruments during the year, nor were there any debt service payments. Long-term debt and capital asset activity is addressed further in a subsequent section of this letter.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion & analysis, the basic financial statements, and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present the governmental activities of the Township. The Township does not engage in any business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Township as a whole using accounting methods used by private companies. The Statement of Net Assets includes all of the entity's assets and liabilities. The Statement of Activities records all of the current year revenues and expenses regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities; this is one method to measure the Township's financial health or position.

Over time, increases or decreases in an entity's net assets is an indicator of whether financial position is improving or deteriorating.

To assess overall health of an entity, you may also have to consider additional factors such as tax base changes, facility conditions, and personnel changes.

All of the activities of the Township are reported as governmental activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds, not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Township has the following types of funds:

Governmental Funds: All of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net Assets: The Township's combined net assets increased approximately \$2,800 during the year ended March 31, 2004 totaling \$241,990.

The increase is mainly due to conservative fiscal monitoring by the board over virtually all expenditures.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE (CONTINUED)

Governmental Funds: The fund balances for governmental funds increased approximately \$6,100. This increase is greater than the "net assets" increase because the depreciation expense is recorded in the statement of activities but not in the fund statements.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

General Fund: This fund is used to record all activities of the Township not required to be recorded in a separate fund. This would primarily include township administration, assessing, zoning, and the costs to operate the township hall. The major sources of revenue for the general fund is from the Township tax base and the revenue sharing from the State of Michigan. The major expenses for this fiscal year include the general operating activities of the Township.

Fire & Ambulance Fund: The Fire and Ambulance Fund is used to account for all activities related to fire protection and ambulance services. Revenues are derived primarily from property taxes and totaled \$19,024. Expenditures totaled \$9,628, which paid for contractual services primarily from Denton Township.

Trash Fund: The Trash Fund is used to account for all activities related to trash pickup. Revenues are derived from property taxes and totaled \$19,729. Expenditures, totaling \$25,334, were paid to Waste Management for trash pick up services.

The Township has the following non-major fund:

Building Fund: This fund is primarily supported by interest earnings. Revenues totaled \$749 and expenditures totaled \$913.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets: There were no major capital asset purchases over the past year.

Long-Term Debt: The Township has no long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

None known.

CONTACTING TOWNSHIP MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact one of the following Township officials.

Mary Ripke, Supervisor

Louise Nagy, Clerk

Darlene Rase, Treasurer

**TOWNSHIP OF BACKUS
STATEMENT OF NET ASSETS
MARCH 31, 2004**

ASSETS

Current Assets:

Cash	\$ 159,371
Certificate of Deposit	20,000
Accounts Receivable	1,302
Delinquent Taxes Receivable	6,710
Due From Other Funds	1,038
Total Current Assets	<u>188,421</u>

Noncurrent Assets:

Land and Buildings	84,331
Less, Accumulated Depreciation	(28,657)
Total Noncurrent Assets	<u>55,674</u>

Total Assets

244,095

LIABILITIES

Current Liabilities:

Payroll Withholding Taxes	1,313
Due to General Fund	792

Total Liabilities

2,105

NET ASSETS

Net Assets:

Net Assets, Unrestricted	175,316
Net Assets, Restricted	11,000
Investment in Capital Assets	55,674

Total Net Assets

\$ 241,990

See accompanying notes to the financial statements

**TOWNSHIP OF BACKUS
STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
MARCH 31, 2004**

P R O G R A M R E V E N U E S				NET REVENUE (EXPENSES) AND CHANGE IN NET ASSETS
EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRI- BUTIONS	CAPITAL GRANTS AND CONTRI- BUTIONS	
GOVERNMENTAL ACTIVITIES:				
Township Administration	\$ (31,419)	\$ 1,302	\$ -	\$ (30,117)
Assessing	(7,616)			(7,616)
Buildings and Grounds	(11,829)	650		(11,179)
Zoning/Building/Land Use	(9,534)	5,371		(4,163)
Fire and Ambulance	(9,628)			(9,628)
Trash Pickup	(25,334)			(25,334)
Unallocated Depreciation	(3,308)			(3,308)
Total	(98,668)	7,323	-	(91,345)
GENERAL REVENUES				
Property Taxes				51,878
State Shared Revenue				25,365
Swamp Tax				15,361
Interest				830
Other				744
Total General Revenues				94,178
Change in Net Assets				2,833
Net Assets - Beginning of Year				239,157
Net Assets - End of Year				\$ 241,990

See accompanying notes to the financial statements

TOWNSHIP OF BACKUS
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2004

	<u>MAJOR GOVERNMENTAL FUNDS</u>			<u>NON-MAJOR FUND</u>	
	<u>GENERAL</u>	<u>FIRE & AMBULANCE</u>	<u>TRASH</u>	<u>BUILDING</u>	<u>TOTAL</u>
ASSETS					
Cash	\$ 73,793	\$ 24,102	\$ 59,165	\$ 2,311	\$ 159,371
Certificate or Deposit	20,000	-	-	-	20,000
Accounts Receivable	1,302	-	-	-	1,302
Delinquent Taxes Receivable	1,476	2,134	3,100	-	6,710
Due From Trash Fund	792	-	-	-	792
Due from Other Funds	246	-	-	-	246
Total Assets	97,609	26,236	62,265	2,311	188,421
LIABILITIES AND FUND EQUITY					
Liabilities:					
Payroll Tax Withholdings	1,313	-	-	-	1,313
Due to General Fund	-	-	792	-	792
Total Liabilities	1,313	-	792	-	2,105
Fund Equity:					
Fund Balance - Undesignated	85,296	26,236	61,473	2,311	175,316
Fund Balance - Designated	11,000	-	-	-	11,000
Total Fund Equity	96,296	26,236	61,473	2,311	186,316
Total Liabilities and Fund Equity	\$ 97,609	\$ 26,236	\$ 62,265	\$ 2,311	\$ 188,421

See accompanying notes to the financial statements.

**TOWNSHIP OF BACKUS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
MARCH 31, 2004**

**TOTAL FUND BALANCE - GOVERNMENTAL ACTIVITIES
PER THE BALANCE SHEET - PAGE 3**

\$ 186,316

Amounts reported for governmental activities in the Statement of
Net Assets (page 1) are different because:

Capital assets used in governmental activities are not financial
resources and therefore are not used in the funds

55,674

**TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES
PER THE STATEMENT OF NET ASSETS - PAGE 1**

\$ 241,990

See accompanying notes to the financial statements

TOWNSHIP OF BACKUS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2004

	<u>MAJOR FUNDS</u>				
	<u>GENERAL</u>	<u>FIRE & AMBUL.</u>	<u>TRASH</u>	<u>BUILDING FUND</u>	<u>TOTAL</u>
REVENUES					
Property Taxes	\$ 13,125	\$ 19,024	\$ 19,729	\$ -	\$ 51,878
State Grants:					
Michigan Sales tax	25,365	-	-	-	25,365
Swamp Tax	15,361	-	-	-	15,361
Charges for Services:					
Building Agency Revenue	5,111	-	-	-	5,111
Summer tax Collection	1,302	-	-	-	1,302
Permits	260	-	-	-	260
Rents	650	-	-	-	650
Interest	-	81	-	-	830
Miscellaneous	744	-	-	749	830
				-	744
Total Revenues	<u>61,918</u>	<u>19,105</u>	<u>19,729</u>	<u>749</u>	<u>101,501</u>
EXPENDITURES					
General Government	59,485	-	-	-	59,485
Ambulance & Fire Services	-	9,628	-	-	9,628
Trash Pick Up Services	-	-	25,334	-	25,334
Building Repairs	-	-	-	913	913
Total Expenditures	<u>59,485</u>	<u>9,628</u>	<u>25,334</u>	<u>913</u>	<u>95,360</u>
Excess (Deficiency) of Revenues over Expenditures	2,433	9,477	(5,605)	(164)	6,141
Fund Balance - Beginning of Year	93,863	16,759	67,077	2,475	180,174
Fund Balance - End of Year	<u>\$ 96,296</u>	<u>\$ 26,236</u>	<u>\$ 61,472</u>	<u>\$ 2,311</u>	<u>\$ 186,315</u>

See accompanying notes to the financial statements.

**TOWNSHIP OF BACKUS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2004**

**NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS
PER THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - PAGE 5**

\$ 6,141

Amounts reported for governmental activities in the Statement
of Activities (page 2) are different because:

Depreciation expense is recorded in the statement of activities,
but not in the governmental fund financial statements

3,308

**CHANGES IN NET ASSETS - GOVERNMENTAL ACTIVITIES
STATEMENT OF ACTIVITIES - PAGE 2**

\$ 2,833

See accompanying notes to the financial statements

**TOWNSHIP OF BACKUS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
MARCH 31, 2004**

	ASSETS	
Cash		\$ 246
	LIABILITIES	
Due to Other Funds		246
	NET ASSETS	
Net Assets		\$ -

See accompanying notes to the financial statements

**TOWNSHIP OF BACKUS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED MARCH 31, 2004**

RECEIPTS

Property Taxes and Interest

\$ 267,850

DISBURSEMENTS

Property Taxes and Interest

267,850

Change in Fiduciary Net Assets

-

Fiduciary Net Assets - Beginning of Year

-

Fiduciary Net Assets - End of Year

\$ -

See accompanying notes to the financial statements

**TOWNSHIP OF BACKUS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE A: ENTITY

The Township of Backus is a general law township of the State of Michigan located in Roscommon County, Michigan. It operates under an elected board and provides service to its residents in many areas including law enforcement, community enrichment and human services. The criteria established for the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. On this basis, the financial statements include all of the governmental functions of Backus Township. Fire and Ambulance services are provided under contractual agreements with Denton and Richfield Townships.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of the Township of Backus are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations including required disclosures of the Township's financial activities.

The accounting policies of the Township of Backus conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

On April 1, 2003, the Township of Backus adopted the new governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" and Statement No. 38 "Certain Financial Statement Note Disclosures".

Under the provisions of GASB Statements No. 34 and 38, the focus of the Township's financial statements has shifted from a fund focus to a government-wide focus.

**TOWNSHIP OF BACKUS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities. These statements report financial information for the Township as a whole, excluding fiduciary activities. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Township general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. At this time, the Township has no business-type activities.

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity.

Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Township's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not included as program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds. The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

**TOWNSHIP OF BACKUS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND TYPES AND MAJOR FUNDS

Governmental Funds

The Township reports the following major governmental funds:

General Fund - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, State revenue sharing, and other inter-governmental revenues.

Fire & Ambulance Fund - This fund is used to account for all financial transactions related to the Township's fire protection and ambulance services. Revenues are derived primarily from property taxes.

Trash Fund - This fund is used to account for all financial transactions related to the Township's trash pickup services. Revenues are derived primarily from property taxes.

Other Funds

Fiduciary Funds - These funds are used to account for assets held in trust or as an agent for others. Tax collection activities are recorded in this category. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the Township are prepared in accordance with generally accepted accounting principles (GAAP). The Township applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Township does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

**TOWNSHIP OF BACKUS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Government-Wide Financial Statements

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Township departments. Fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental Fund Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available.

Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Township considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Property tax revenues are recognized as follows:

Properties are assessed as of December 31 and the related property taxes are levied on December 1 of the following year. These taxes are due on February 15; uncollected amounts are subsequently added to the county delinquent tax rolls. A county revolving fund normally pays the balance of the Township's tax levy by May 31 of each year. In accordance with GASB 33 "Accounting and Financial Reporting for Nonexchange Transactions", the Township records the property tax revenue when it becomes an enforceable legal claim for the Township. Therefore, all taxes levied on December 1, 2003, are recorded as revenue in the current year. The Township's taxable value for the 2003 tax year totaled \$10,290,289.

**TOWNSHIP OF BACKUS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The tax rates for the year ended March 31, 2004, were as follows:

PURPOSE	RATE/ASSESSED VALUATION
General	1.275 mills per \$1,000
Fire & Ambulance	1.842 mills per \$1,000
Trash	\$100 per homestead property \$50 per non-homestead property

BUDGET

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional and activity basis. The approved budgets of the Township for these budgetary funds were adopted on an activity level. Budgets as adopted end on March 31 of each year. There are no carryover budget items. During the year ended March 31, 2004, no over-expenditures were noted.

CAPITAL ASSETS AND DEPRECIATION

The Township's property, plant, and equipment, with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The Township generally capitalizes assets with historical cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	25 - 40
Improvements, other than buildings	10 - 20
Machinery and equipment	5 - 10
Vehicles	5 - 10
Infrastructure	20 - 40

**TOWNSHIP OF BACKUS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Land, construction in progress, and library books and periodicals are not depreciated.

With respect to asset improvements, costs over \$1,000 should be capitalized if:

1. The estimated life of the asset is extended by more than 25%, or
2. The cost results in an increase in the capacity of the asset, or
3. The efficiency of the asset is increased by more than 10%, or
4. Significantly changes the character of the asset, or
5. In the case of streets and roads, if the work done impacts the "base" structure.
6. Other wise, the cost should be expensed as repair and maintenance.

For information describing capital assets, see Note E.

**LONG-TERM DEBT, DEFERRED DEBT EXPENSE, AND BOND
DISCOUNTS/PREMIUMS**

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effect of interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

USE OF ESTIMATES

The financial statements have been prepared in conformity with generally accepted accounting principles as applicable to governments and, as such, include amounts based on informed estimates and judgements of management with consideration given to materiality. Actual results could differ from those estimates.

NOTE C: CASH AND INVESTMENTS

Cash consists of bank accounts or securities with original maturities of 90 days or less.

All cash deposits are maintained in financial institutions in Northern Michigan. The Township's deposits are categorized to give an indication of the level of risk assumed by the Township at fiscal year-end. The categories are described as follows:

**TOWNSHIP OF BACKUS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE C: CASH AND INVESTMENTS (CONTINUED)

- Category 1 – Insured or collateralized with securities held by the Township or by its agent in the Township's name.
 Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the Township's name.
 Category 3 – Uncollateralized.

	<u>BANK BALANCE</u>	<u>1</u>	<u>CATEGORY 2</u>	<u>3</u>	<u>CARRYING AMOUNT</u>
Major Funds	\$ 157,317	\$ 108,654	\$ -	\$ 48,663	\$ 157,060
Non-Major Funds	2,311	2,311	-	-	2,311
Total	<u>\$ 159,628</u>	<u>\$ 110,965</u>	<u>\$ -</u>	<u>\$ 48,663</u>	<u>\$ 159,371</u>
Trust & Agency	\$ 246	\$ -	\$ -	\$ 246	\$ 246

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Township's **investments** are as follows:

- Category 1 - Insured or securities held by the Township or the Township's agent in the Township's name.
 Category 2 - Uninsured with securities held by the counter party's trust department or its agent in the Township's name.
 Category 3 - Uninsured with securities held by the counter party's trust department or agent but not in the Township's name.

	<u>1</u>	<u>CATEGORY 2</u>	<u>3</u>	<u>CARRYING AMOUNT</u>
Major Funds	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,000</u>

NOTE D: DUE FROM/TO OTHER FUNDS

Due From/To Other Funds represents \$246 collected in the current tax collection fund that had not been distributed at March 31, 2004, to the various funds as follows:

General Fund	<u>\$ 246</u>
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**TOWNSHIP OF BACKUS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE E: CAPITAL ASSETS

	<u>CAPITAL ASSETS NOT DEPRECIATED</u>	<u>CAPITAL ASSETS DEPRECIATED</u>		
	<u>Land & Improv.</u>	<u>Buildings</u>	<u>Furniture and Equipment</u>	<u>Totals</u>
<i>Governmental Activities</i>				
<i>Capital Assets</i>				
Balance, April 1, 2003	\$ 10,000	\$ 55,000	\$ 19,331	\$ 84,331
Increases	-	-	-	-
Decreases	-	-	-	-
Balance, March 31, 2004	<u>10,000</u>	<u>55,000</u>	<u>19,331</u>	<u>84,331</u>
<i>Accumulated Depreciation</i>				
Balance, April 1, 2003	-	13,750	11,599	25,349
Increases	-	1,375	1,933	3,308
Decreases	-	-	-	-
Balance, March 31, 2004	<u>-</u>	<u>15,125</u>	<u>13,532</u>	<u>28,657</u>
<i>Capital Assets, Net</i>	<u>\$ 10,000</u>	<u>\$ 39,875</u>	<u>\$ 5,799</u>	<u>\$ 55,674</u>

NOTE F: LONG-TERM DEBT

As of March 31, 2004, the Township had no long-term debt.

NOTE G: DESIGNATED FUND BALANCE/NET ASSETS

The Township has designated fund balance in the amount of \$11,000. The designations are \$10,000 for future road expenditures and \$1,000 for park expenditures.

NOTE I: CONTINGENCIES

INSURANCE

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters.

The Township participates in the Michigan Township Participating plan, a self insured group. The pool is considered a public entity risk pool. The Township pays annual premiums to the pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims for each occurrence with the overall maximum coverage varying depending on the specific type of coverage of reinsurance. The Township has not been informed of any special assessments being required. There were no significant changes in coverage.

TOWNSHIP OF BACKUS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED MARCH 31, 2004

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
REVENUES				
State Grants:				
State Shared Revenue	\$ 28,000	\$ 28,000	\$ 25,365	\$ (2,635)
Swamp Tax	15,360	15,360	15,361	1
Property Taxes	14,600	14,600	13,125	(1,475)
Charges for Services:				
Building Agency Revenue	5,000	5,000	5,111	111
Summer Tax Collection	1,300	1,300	1,302	2
Permits	300	300	260	(40)
Rents	1,000	1,000	650	(350)
Miscellaneous Revenue	2,000	2,000	744	(1,256)
Total Revenues	67,560	67,560	61,918	(5,642)
EXPENDITURES				
GENERAL GOVERNMENT				
Township Board:				
Salaries	3,000	3,000	2,016	984
Payroll Taxes	-	-	1,657	(1,657)
Supplies	-	-	924	(924)
Contract Labor	1,000	1,000	-	1,000
Professional Fees	4,000	4,000	1,400	2,600
Communications	400	400	253	147
Transportation	60	60	-	60
Printing and Publishing	250	250	46	204
Workers Compensation	500	500	480	20
Miscellaneous	1,970	1,970	2,871	(901)
Total Township Board	11,180	11,180	9,647	1,533
Township Supervisor:				
Salary	5,261	5,261	5,089	172
Communications	350	350	493	(143)
Operating Supplies	150	150	126	24
Transportation	75	75	48	27
Capital Outlay	-	-	20	(20)
Miscellaneous	150	150	155	(5)
Total Supervisor	5,986	5,986	5,931	55
Election:				
Contract Labor	1,000	1,000	-	1,000
Office supplies	775	775	-	775
Transportation	100	100	-	100
Education	200	200	-	200
Total Election	\$ 2,075	\$ 2,075	\$ -	\$ 2,075

TOWNSHIP OF BACKUS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED MARCH 31, 2004

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
Assessor:				
Contractual Services	\$ 4,300	\$ 4,300	\$ 4,300	\$ -
Outside Services	-	-	711	(711)
Supplies	250	3,250	2,605	645
Total Assessor	4,550	7,550	7,616	(66)
Clerk:				
Salary	5,677	5,677	5,557	120
Wages - Deputy Clerk	60	60	-	60
Education	150	150	1,300	(1,150)
Communication	350	350	477	(127)
Office Supplies	200	200	349	(149)
Transportation	300	300	191	109
Miscellaneous	500	500	83	417
Total Clerk	7,237	7,237	7,957	(720)
Board of Review:				
Contract Labor	690	690	700	(10)
Printing & Publishing	100	100	50	50
Office Supplies	100	100	-	100
Total Board of Review	890	890	750	140
Treasurer:				
Salary	6,465	6,465	6,219	246
Wages - Deputy	60	60	-	60
Office Supplies	500	500	651	(151)
Education	150	150	-	150
Transportation	100	100	92	8
Communication	30	30	12	18
Miscellaneous	300	300	160	140
Total Treasurer	7,605	7,605	7,134	471
Township Hall and Grounds:				
Repair and Maintenance	800	800	4,250	(3,450)
Insurance	3,500	3,500	4,109	(609)
Utilities	1,800	1,800	1,460	340
Office supplies	200	200	563	(363)
Parks	-	350	350	-
Total Township Hall and Grounds	\$ 6,300	\$ 6,650	\$ 10,732	\$ (4,082)

TOWNSHIP OF BACKUS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED MARCH 31, 2004

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
Zoning/Land Use:				
Wages	\$ 2,030	\$ 2,030	\$ 1,952	\$ 78
Per Diem - Board	900	900	510	390
Legal	1,000	1,000	839	161
Supplies	200	200	-	200
Education	-	-	230	(230)
Outside Services	850	850	152	698
Transportation	75	75	145	(70)
Communication	10	10	-	10
Total Zoning/Land Use	5,065	5,065	3,828	1,237
Zoning Board of Appeals:				
Wages	600	600	330	270
Supplies/Printing	310	310	265	45
Legal Counsel	1,000	1,000	-	1,000
Transportation	50	50	-	50
Total Zoning Board of Appeals	1,960	1,960	595	1,365
Building Agency Expense	5,000	5,000	5,111	(111)
Street Lights	250	250	184	66
Total General Government	58,098	61,448	59,485	1,963
Excess (Deficiency) of Revenues Over Expenditures	9,462	6,112	2,433	(3,679)
Fund Balance - Beginning of Year	93,863	93,863	93,863	-
Fund Balance - End of Year	\$ 103,325	\$ 99,975	\$ 96,296	\$ (3,679)

**TOWNSHIP OF BACKUS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FIRE & AMBULANCE FUND
YEAR ENDED MARCH 31, 2004**

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
REVENUES				
Property Taxes	\$ 18,500	\$ 18,500	\$ 19,024	\$ 524
Interest	-	-	81	81
Total Revenues	18,500	18,500	19,105	605
EXPENDITURES				
Ambulance & Fire Expense	12,500	12,500	9,628	2,872
Total Expenditures	12,500	12,500	9,628	2,872
Excess (Deficiency) of Revenues Over Expenditures	6,000	6,000	9,477	3,477
Fund Balance - Beginning of Year	16,759	16,759	16,759	-
Fund Balance - End of Year	\$ 22,759	\$ 22,759	\$ 26,236	\$ 3,477

TOWNSHIP OF BACKUS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
TRASH FUND
YEAR ENDED MARCH 31, 2004

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
REVENUE				
Property Taxes	\$ 19,000	\$ 19,000	\$ 19,729	\$ 729
Total Revenue	19,000	19,000	19,729	729
EXPENDITURES				
Trash Pick-Up Services	26,980	26,980	25,334	1,646
Total Expenditures	26,980	26,980	25,334	1,646
Excess (Deficiency) of Revenues Over Expenditures	(7,980)	(7,980)	(5,605)	2,375
Fund Balance - Beginning of Year	67,077	67,077	67,077	-
Fund Balance - End of Year	\$ 59,097	\$ 59,097	\$ 61,472	\$ 2,375